



Interim report Q2 2013

Income statement, balance sheet and notes



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KLP Banken AS Group

Interim financial statement Q2/2013

Main features of the second quarter:

- maintaining good margins on public sector lending
- no loss on lending
- NOK 50.0 million taken to income as a result of settlement of court actions
- satisfactory costs development

The KLP Banken Group's purpose is the financing of housing mortgages and lending to municipalities, county administrations and companies carrying out public sector assignments. The KLP Banken Group is a substantial long-term lender to the public sector and from 2010 has established substantial activity in the retail market. The Group manages lending totalling NOK 52.0 billion. The overall business of KLP Banken AS and its subsidiaries is divided into the retail market and public sector loans business areas. The business is nationwide and the companies' head offices are in Trondheim. KLP Banken AS is wholly owned by Kommunal Landspensjonskasse gjensidig forsikringselskap (KLP) through KLP Bankholding AS. KLP Banken AS has two wholly owned subsidiaries, KLP Kreditt AS (previously Kommunekreditt Norge AS) and KLP Kommunekreditt AS.

Income Statement

The KLP Banken Group's Net interest income at the end of Q2 2013 amounted to NOK 54.7 million against NOK 35.2 million for the same period the previous year. Operating costs and depreciation amounted to NOK 64.0 million against NOK 60.3 million at the same time last year. The Company had no losses on lending during the second quarter.

The financial statements have been prepared in NOK and are presented in accordance with the Norwegian Accounting Act, the Annual Accounts Regulations for Banking (Regulation No. 1240 of 16 December 1998), as well as Regulations on Simplified Application of IFRS, the Simplification Regulations (Regulation No. 57 of 21 January 2008). This means that financial instruments are in part recognised at market value. At the end of the second quarter the accounts show an unrealized gain of NOK 4.0 million associated with securities. During the same period last year an unrealized gain of NOK 7.0 million was brought to book.

In addition to its own lending, the banking group administers housing mortgages and public sector lending financed by its parent company, Kommunal Landspensjonskasse (KLP). The management fee for this task amounted to NOK 29.5 million at the end of the second quarter. The corresponding amount last year was NOK 49.2 million.

The KLP Banken Group achieved pre-tax profits of NOK 68.9 million by the end of the second quarter. Included in the result are settlements of NOK 50 million following settlement of legal disputes (see Note 17). At the same time last year the result was NOK 34.1 million. Income after tax amounted to NOK 63.6 million and NOK 24.5 million respectively.

Lending

On 30 June 2013 the KLP Banken Group's lending amounted to NOK 22.3 billion compared to NOK 23.8 billion at the end of the second quarter 2012. The distribution between the retail market and public sector lending was NOK 3.6 billion and NOK 18.7 billion respectively.

Liquid investments

On the reporting date liquid investments amounted to NOK 3.0 billion against NOK 3.5 billion at the same time last year.

Borrowing

The KLP Banken Group's external financing comprises deposits, certificates and bonds. On the reporting date deposits were NOK 4.0 billion and liabilities created on issuance of securities were NOK 21.3 billion. Covered bonds (OMF) issued by KLP Kommunekreditt AS made up NOK 18.5 billion of the securities liabilities. All covered bonds issues have achieved AAA rating.

Solvency

At the end of the second quarter, eligible Tier 1 and Tier 2 capital ("ansvarlig kapital") i.a.w. the capital adequacy rules was NOK 1 194.2 million. Eligible Tier 1 and Tier 2 capital comprises core capital only. The corresponding figure for last year was NOK 1 126.1 million. Lending is risk-weighted in accordance with the authorities' capital adequacy regulations. The KLP Banken Group had a capital adequacy ratio of 18.2 per cent at the end of the second quarter, against 18.1 per cent on the same date last year. The minimum statutory requirement is 9 per cent.

Income Statement

KLP Banken AS Group

Note	NOK thousands	Q2-2013	Q2-2012	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012	2012
	Interest income and similar income	212 720	244 075	422 466	514 801	956 724
	Cost of interest and similar costs	-182 396	-221 645	-367 799	-479 596	-870 387
3	Net interest income	30 324	22 430	54 667	35 205	86 337
	Commission & banking services income	1 457	1 220	2 511	2 423	4 888
	Commission & banking services costs	-140	-92	-294	-97	-352
	Net charges and commission income	1 317	1 128	2 217	2 326	4 535
	Other fee income	14 250	20 832	29 500	49 168	79 075
	Net gain/(loss) financial instruments	43 047	-9 851	46 536	7 645	51 148
	Total other operating income	57 297	10 981	76 036	56 813	130 223
	Salary and administrative costs	-8 869	-8 879	-21 342	-20 976	-44 038
	Depreciation	-542	-533	-1 020	-1 067	-2 068
	Other operating expenses	-19 920	-17 437	-41 642	-38 213	-86 792
	Total operating expenses	-29 331	-26 849	-64 004	-60 256	-132 898
	Loss on loans issued, guarantees etc.	0	0	0	0	0
	Gains/losses on securities that are fixed assets	0	0	0	0	0
	Operating profit/loss before tax	59 608	7 690	68 916	34 088	88 197
	Tax on ordinary profit/loss	-2 690	-2 153	-5 297	-9 545	-33 317
	Income	56 918	5 537	63 620	24 544	54 880
	Other comprehensive income	0	0	0	0	1 921
	Other comprehensive income for the period after tax	0	0	0	0	1 921
	COMPREHENSIVE INCOME FOR THE PERIOD	56 918	5 537	63 620	24 544	56 802

Financial Position Statement

KLP Banken AS Group

Note	NOK thousands	30.06.2013	30.06.2012	31.12.2012
ASSETS				
	Lending to and receivables from credit institutions	1 466 191	1 512 742	2 136 069
4	Lending to and receivables from customers	22 289 506	23 787 926	21 875 012
13	Interest-bearing securities	3 045 510	3 453 059	4 063 485
15	Financial derivatives	155 670	165 131	183 904
	Deferred tax asset	0	12 403	0
	Tangible fixed assets	437	531	472
	Intangible assets	22 396	20 557	21 214
10	Other assets	3 115	7 383	1 358
	TOTAL ASSETS	26 982 825	28 959 732	28 281 515
LIABILITIES AND OWNERS' EQUITY				
LIABILITIES				
8	Debt to credit institutions	0	200 122	0
7	Liabilities created on issuance of securities	21 333 345	24 868 391	23 708 404
	Deposits	3 957 134	2 323 632	2 946 196
15	Financial derivatives	320 149	322 555	358 770
	Deferred tax	6 834	0	1 536
11	Other liabilities	62 160	48 115	27 377
11	Provision for accrued costs and liabilities	22 970	22 393	22 618
	TOTAL LIABILITIES	25 702 591	27 785 208	27 064 901
OWNERS' EQUITY				
	Share capital	750 000	750 000	750 000
	Share premium fund	405 707	339 073	405 707
	Other owners' equity contributed	60 907	60 907	60 907
	Unallocated profit/loss	63 620	24 544	0
	TOTAL OWNERS' EQUITY	1 280 234	1 174 525	1 216 614
	TOTAL LIABILITIES AND OWNERS' EQUITY	26 982 825	28 959 732	28 281 515

Statement of owners' equity

KLP Banken AS Group

2013 NOK thousands	Share capital	Share pre- mium fund	Other owners' equity contributed	Other owners' equity	Total own- ers' equity
Owners' equity 1 January 2013	750 000	405 707	60 907	0	1 216 614
Unallocated profit/loss	0	0	0	63 620	63 620
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	63 620	63 620
Total transactions with the owners	0	0	0	0	0
Owners' equity 30 June 2013	750 000	405 707	60 907	63 620	1 280 234

2012 NOK thousands	Share capital	Share pre- mium fund	Other owners' equity contributed	Other owners' equity	Total own- ers' equity
Owners' equity 1 January 2012	750 000	348 130	60 907	0	1 159 037
Brought to book actuarially profit/loss employee benefits	0	-9 058	0	0	-9 058
Adjusted owners' equity 01.01.2012	750 000	339 073	60 907	0	1 149 979
Unallocated profit/loss	0	0	0	24 544	24 544
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	24 544	24 544
Total transactions with the owners	0	0	0	0	0
Owners' equity 30 June 2012	750 000	339 073	60 907	24 544	1 174 525

Statement of cash flows

KLP Banken AS Group

NOK thousands	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012	01.01.2012- 31.12.2012
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	354 422	469 746	885 750
Payments to customers - interest, commission & charges	-33 703	-43 905	-111 424
Net receipts/disbursements on lending to customers	-466 106	4 673 790	6 545 615
Net receipts on customer deposits banking	958 728	483 371	1 105 934
Net receipts/disbursements on operations	-41 940	-31 264	-87 734
Paym's to staff, pension schemes, employer's soc. security contrib. etc.	-24 084	-23 544	-43 274
Net interest investment accounts	8 507	6 137	38 500
Net receipts/disbursements from operating activities	81 713	98 564	129 617
Income tax paid	0	0	0
Net cash flow from operating activities	837 537	5 632 895	8 462 984
INVESTMENT ACTIVITIES			
Receipts from securities	2 270 070	0	1 927
Disbursements to securities	-1 247 131	-1 903 076	-2 470 499
Receipts of interest from securities	40 895	27 412	77 313
Receipts from sales of fixed assets	100	0	0
Payments on the purchase of tangible fixed assets	-2 166	0	-1 600
Net cash flows from investment activities	1 061 767	-1 875 664	-2 392 859
FINANCING ACTIVITIES			
Net receipts/disbursements on loans from credit institutions	-2 302 533	-3 442 416	-4 823 855
Net disbursements of interest on loans	-306 000	-419 393	-707 994
Net receipts/ disbursements (-) on other short-term items	38 299	38 031	30 211
Net cash flows from financing activities	-2 570 234	-3 823 778	-5 501 638
Net cash flow during the period	-670 930	-66 547	568 487
Cash and cash equivalents at the start of the period	2 091 712	1 523 225	1 523 225
Cash and cash equivalents at the end of the period	1 420 782	1 456 678	2 091 712
Net receipts/ disbursements (-) of cash	-670 930	-66 547	568 487
RECONCILIATION			
Profit/loss before tax	68 916	34 088	88 197
Change in accounts payable	-1 449	-1 517	867
Items classified as investment or financing activities	199 700	481 211	729 154
Changes in other accrual items	570 370	5 119 113	7 644 766
Net cash flow from operating activities	837 537	5 632 895	8 462 984

Notes to the Accounts

KLP Banken AS Group

Note 1 GENERAL INFORMATION

KLP Banken AS was formed on 25 February 2009. The Company offers standard banking products to personal banking customers. The bank is an online bank without branches. KLP Banken AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim. The Company has a branch office in Oslo.

KLP Banken AS owns all the shares in KLP Kreditt AS (formerly Kommunekreditt Norge AS) and KLP Kommunekreditt AS. The Company is a subsidiary of KLP Bankholding AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP). KLP is a mutual insurance company.

Note 2 ACCOUNTING PRINCIPLES

This interim report covers the period 01 January to 30 June 2013. The accounts have not been audited.

The KLP Banken AS Group interim financial statements have been prepared in accordance with the Norwegian Regulation 1240 "Regulations on financial statements etc for banks, financial enterprises and their parent companies", hereinafter referred to as the Annual Accounts Regulations of 16 December 1998 and Norwegian Act No. 56 "Act regarding annual accounts etc (the Accounting Act)" of 17 July 1998.

The Accounting Act and the regulations require that the Company uses international accounting standards (IAS/IFRS) approved by the EU in the preparation of the accounts but allows certain exceptions from IFRS through Regulation No. 57: "Regulations on simplified application of international accounting standards" of 21 January 2008 (hereinafter referred to as "the Simplification Regulations". The Simplification Regulations allow the presentation in the accounts of a provision for dividend and group contribution at the end of the reporting period even though the resolution is passed at a later date. This is the only accounting principle deviating in regard to IFRS.

Changed rules in IAS 19, Employee benefits, have been adopted from 1 January 2013. The changes have an effect on the treatment of the Company's benefits plans. The changes mean that all estimate deviations are recognized in other comprehensive income as they arise (no corridor), immediate recognition in profit/loss of all costs of previous periods' pensions accumulation, and that interest costs and expected returns on pension assets are replaced by a net interest sum calculated using discounting interest on net pensions liability (assets). The comparison figures for 2012 have been reworked and the effect of implementation on 1 January 2012 has been attributed directly to owners' equity.

This has involved the following changes in the accounting entries:

NOK thousands	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012	01.01.2012- 31.12.2012
Salary and administrative costs	0	0	4 767
Other comprehensive income	0	0	1 921
COMPREHENSIVE INCOME FOR THE PERIOD	0	0	6 689

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Provision for accrued costs and liabilities	0	-9 058	2 369
Owners' equity (share premium fund)	0	9 058	-2 369

IFRS 13, Measurement of fair value, has been used from 1 January 2013. This standard defines what is meant by fair value when the term is used in IFRS, provides a uniform description of how fair value is to be determined in IFRS and defines what supplementary information is to be provided when fair value is used. The standard does not expand the scope of recognition at fair value and it has had no effect on the accounts.

With effect from 1 January 2013 IAS 34, Interim reporting, has had stricter requirements for supplementary information

on fair value of financial instruments. This has been implemented in Notes 5 and 6.

There are no other new or changed IFRSs or IFRIC interpretations that have come into force for 2013 that have a significant effect on the financial statements. These interim financial statements are otherwise presented in accordance with the same principles as the annual financial statements for 2012 and the interim report should therefore be read in conjunction with the latter. The annual financial statements are available at www.klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012	2012
Interest on loans to and receivables from credit institutions	15 973	20 679	38 577
Interest on loans to customers	364 807	460 911	836 312
Interest on securities	41 686	33 211	81 835
Total interest income	422 466	514 801	956 724
Interest on debt to credit institutions	264 968	360 640	649 339
Interest on debt to KLP	0	25 277	26 065
Interest on debt to customers	100 859	92 111	192 202
Premium/discount on covered bonds	1 971	1 566	2 778
Other interest costs	1	1	3
Total interest costs	367 799	479 596	870 387
Net interest income	54 667	35 205	86 337

Note 4 LENDING TO CUSTOMERS

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Loans to customers before write-downs	21 906 132	23 472 383	21 464 820
Individual write-downs	-9	-9	-9
Write-downs by group	0	0	0
Loans to customers after individual write-downs	21 906 123	23 472 374	21 464 811
Accrued interest	142 528	164 641	126 855
Loans to customers, fair value hedging	240 855	149 209	281 384
Loans to customers, fair value adjustment	0	1 702	1 962
Loans to customers	22 289 506	23 787 926	21 875 012

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOK thousands	30.06.2013		30.06.2012		31.12.2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Interest-bearing securities	3 045 510	3 045 510	3 453 059	3 453 059	4 063 485	4 063 485
Loans to Norwegian local administrations	0	0	1 250 721	1 250 721	33 021	33 021
Financial derivatives	155 670	155 670	165 131	165 131	183 904	183 904
Total financial assets at fair value	3 201 180	3 201 180	4 868 910	4 868 910	4 280 410	4 280 410
FINANCIAL ASSETS AT FAIR VALUE HEDGING						
Loans to Norwegian local administrations	6 202 047	6 218 707	5 492 106	5 442 316	5 978 833	5 983 059
Loans to private customers	491 840	478 876	543 642	538 335	524 223	524 223
Total financial assets at fair value hedging	6 693 887	6 697 583	6 035 748	5 980 651	6 503 056	6 507 282
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	1 466 191	1 466 191	1 512 742	1 512 742	2 136 069	2 136 069
Loans to Norwegian local administrations	12 474 517	12 471 793	15 449 735	15 430 777	14 333 161	14 333 161
Loans to private customers	3 121 102	3 121 102	1 051 723	1 053 761	1 005 774	1 005 774
Total financial assets at amortized cost	17 061 810	17 059 086	18 014 200	17 997 280	17 475 004	17 475 004
Total financial assets	26 956 877	26 957 849	28 918 858	28 846 841	28 258 470	28 262 696
DEBT TO CREDIT INSTITUTIONS AT FAIR VALUE						
Financial derivatives	320 149	320 149	322 555	322 555	358 770	358 770
Total financial liabilities at fair value	320 149	320 149	322 555	322 555	358 770	358 770
LIABILITIES CREATED ON ISSUANCE OF SECURITIES AT FAIR VALUE HEDGING						
Liabilities created on issuance of securities	4 692 161	4 725 164	3 687 428	3 676 293	3 691 662	3 777 110
Total financial liabilities at fair value hedging	4 692 161	4 725 164	3 687 428	3 676 293	3 691 662	3 777 110
DEBT TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST						
Liabilities created on issuance of securities	16 641 184	16 711 312	21 381 085	21 436 126	20 016 742	20 042 241
Deposits from customers	3 957 134	3 957 134	2 323 632	2 323 632	2 946 196	2 946 196
Total financial liabilities at amortized cost	20 598 318	20 668 446	23 704 717	23 759 758	22 962 938	22 988 437
Total financial liabilities	25 610 628	25 713 759	27 714 700	27 758 606	27 013 369	27 124 316

Fair value of investments listed in an active market is based on the current purchase price. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, valuation techniques are used to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected interest rate curves and spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

The different financial instruments are thus priced in the following way:**Interest-bearing securities - government**

Reuters is used as a source for pricing Norwegian government bonds. It is Oslo Børs that provides the price (via Reuters). The prices are compared with the prices from Bloomberg to reveal any errors.

Interest-bearing securities - other than government

All Norwegian fixed income securities except government are priced theoretically. A zero coupon curve is used as well as spread curves for the pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. From 10 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

Financial derivatives

These transactions are valued based on the applicable swap curve at the time of valuation.

Fair value of loans to Norwegian local administrations, loans to retail customers and deposits

Fair value of lending and deposits without fixed interest rates is considered virtually the same as

book value since the contract terms are continuously changed in step with market interest rates. Lending with fixed interest is valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates.

Fair value of debt to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Liabilities created on issuance of securities

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

Note 6 FAIR VALUE HIERARCHY

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2013
ASSETS				
Interest-bearing securities	149 517	2 895 993	0	3 045 510
Financial derivatives	0	155 670	0	155 670
Total financial assets valued at fair value	149 517	3 051 663	0	3 201 180
LIABILITIES				
Financial derivatives	0	320 149	0	320 149
Total financial liabilities at fair value	0	320 149	0	320 149

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2012
ASSETS				
Interest-bearing securities	0	3 453 059	0	3 453 059
Financial derivatives	0	165 131	0	165 131
Total financial assets valued at fair value	0	3 618 190	0	3 618 190
LIABILITIES				
Financial derivatives liabilities	0	322 555	0	322 555
Total financial liabilities at fair value	0	322 555	0	322 555

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2012
ASSETS				
Interest-bearing securities	148 352	3 915 133	0	4 063 485
Financial derivatives	0	183 904	0	183 904
Total financial assets valued at fair value	148 352	4 099 037	0	4 247 389
LIABILITIES				
Financial derivatives liabilities	0	358 770	0	358 770
Total financial liabilities at fair value	0	358 770	0	358 770

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as listed in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments in this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the entity has access at the reporting date. Examples of instruments in Level 1 are stock market listed securities.

Level 2: Instruments in this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is not therefore considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed income securities priced on the basis of interest rate curves.

Level 3: Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded.

Note 7 LIABILITIES CREATED ON ISSUANCE OF SECURITIES

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	30.06.2013 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	3 629	4 303 629
N00010592892	1 053 000	NOK	Floating	10.12.10	10.12.13	1 271	1 054 271
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	18 715	768 715
N00010609795	1 439 000	NOK	Floating	20.05.11	20.05.14	3 327	1 442 327
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	11 267	2 511 267
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	921	434 421
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 813	1 004 813
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	9 273	3 009 273
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	5 316	2 005 316
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	3 699	1 003 699
N00010675978	1 000 000	NOK	Floating	15.05.13	15.05.18	2 768	1 002 768
Amortization / value adjustments							112 035
Total covered bonds issued							18 652 532
Certificate loan	270 000	NOK	Floating	09.07.12	09.07.13	1 432	271 432
Certificate loan	300 000	NOK	Floating	21.03.13	21.03.14	166	300 166
Certificate loan	300 000	NOK	Floating	11.06.13	11.06.14	338	300 338
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 591	301 591
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	618	300 618
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	950	300 950
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 200	301 200
Secured bonds	300 000	NOK	Floating	14.05.13	13.05.16	984	300 984
Secured bonds	300 000	NOK	Floating	31.05.13	28.11.14	530	300 530
Amortization / value adjustments							3 005
Total liabilities issuance of certificate loans and secured bonds							2 680 813
Total liabilities created on issuance of securities							21 333 345

Note 7 LIABILITIES CREATED ON ISSUANCE OF SECURITIES (CONT.)

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	30.06.2012 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	5 256	4 305 256
N00010592884	2 470 000	NOK	Floating	10.12.10	10.12.12	3 513	2 473 513
N00010592892	4 000 000	NOK	Floating	10.12.10	10.12.13	5 956	4 005 956
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	18 758	768 758
XS0605180412	1 250 000	SEK	Floating	15.03.11	15.03.13	1 190	1 096 190
N00010609795	4 000 000	NOK	Floating	20.05.11	20.05.14	11 617	4 011 617
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	11 267	2 511 267
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	1 353	434 853
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	5 991	1 005 991
Amortization / value adjustments							79 057
Total covered bonds issued							20 692 457
Certificate loan	500 000	NOK	Floating	16.12.11	14.12.2012	640	500 640
Certificate loan	299 000	NOK	Fixed	17.01.12	17.07.2012	4 039	303 039
Certificate loan	500 000	NOK	Floating	18.01.12	18.01.2013	2 785	502 785
Certificate loan	300 000	NOK	Fixed	01.03.12	31.08.2012	3 048	303 048
Certificate loan	300 000	NOK	Fixed	17.04.12	05.07.2012	1 541	301 541
Certificate loan, KLP	500 000	NOK	Fixed	02.05.12	02.08.2012	2 047	502 047
Certificate loan	360 000	NOK	Floating	14.05.12	14.05.2013	1 296	361 296
Certificate loan	300 000	NOK	Floating	01.06.12	31.05.2013	680	300 680
Secured bonds	500 000	NOK	Floating	12.03.12	11.06.2013	808	500 808
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.2015	1 923	301 923
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.2017	618	300 618
Amortization / value adjustments							-2 491
Total liabilities issuance of certificate loans and secured bonds							4 175 934
Total liabilities created on issuance of securities							24 868 391

Note 7 LIABILITIES CREATED ON ISSUANCE OF SECURITIES (CONT.)

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	31.12.2012 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	4 031	4 304 031
N00010592892	1 103 000	NOK	Floating	10.12.10	10.12.13	1 490	1 104 490
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
XS0605180412	1 250 000	SEK	Floating	15.03.11	15.03.13	765	1 095 765
N00010609795	4 000 000	NOK	Floating	20.05.11	20.05.14	10 313	4 010 313
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	55 377	2 555 377
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	959	434 459
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	5 092	1 005 092
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	12 898	3 012 898
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	5 797	2 005 797
Amortization / value adjustments							85 605
Total covered bonds issued							20 365 434
Certificate loan	360 000	NOK	Floating	18.01.12	18.01.13	1 725	361 725
Certificate loan	360 000	NOK	Floating	14.05.12	14.05.13	1 109	361 109
Certificate loan	300 000	NOK	Floating	01.06.12	31.05.13	635	300 635
Certificate loan	300 000	NOK	Fixed	05.07.12	05.04.13	1 701	301 701
Certificate loan	300 000	NOK	Floating	09.07.12	09.07.13	1 659	301 659
Secured bonds	500 000	NOK	Floating	12.03.12	11.06.13	709	500 709
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 669	301 669
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	7 726	307 726
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	963	300 963
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 281	301 281
Amortization / value adjustments							3 794
Total liabilities issuance of certificate loans and secured bonds							3 342 970
Total liabilities created on issuance of securities							23 708 404

Note 8 DEBT TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	30.06.2013 Book value
	-	-	-	0
Total liabilities to credit institutions	-	-	-	0

NOK thousands	Due date	Nominal	Accrued interest	30.06.2012 Book value
Debt to KLP	15.09.12	200 000	122	200 122
Total liabilities to credit institutions	-	200 000	122	200 122

NOK thousands	Due date	Nominal	Accrued interest	31.12.2012 Book value
	-	-	-	0
Total liabilities to credit institutions	-	-	-	0

Note 9 TRANSACTIONS WITH RELATED PARTIES

NOK thousands	01.01.2013-30.06.2013	01.01.2012-30.06.2012	2012
INCOME STATEMENT ITEMS			
KLP, fees income lending management	29 500	49 118	79 000
KLP, interest on borrowing	0	-25 277	-26 065
KLP, interest on certificate loan	0	-15 606	-18 028
KLP Kapitalforvaltning, fees for services provided	-283	-137	-503
KLP, rent	-1 747	-1 716	-3 447
KLP, pension premium	-2 252	-3 597	-8 900
KLP, staff services (at cost)	-19 937	-18 527	-42 610
KLP Group companies, subsidised interest employee loans	306	366	615
TOTAL	5 587	-15 375	-19 938

NOK thousands	30.06.2013	30.06.2012	31.12.2012
FINANCIAL POSITION STATEMENT ITEMS			
KLP, borrowing Group debt short-term	0	-200 122	0
KLP, certificate loans issued	0	-502 047	0
KLP, net intra-Group accounts	-5 305	-14 619	-7 900
KLP, clearance banking system	-55 542	-24 910	-16 520
KLP Bankholding AS, net internal accounts	0	0	25
KLP Group companies	278	139	-38
TOTAL	-60 569	-741 559	-24 433

Transactions with related parties are carried out at general market terms and conditions, with the exception of the Company's share of common administrative functions which is allocated at cost. Allocation is based on actual use. All internal receivables are settled as they arise.

Note 10 OTHER ASSETS

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Receivables from companies in the same Group	279	139	56
Miscellaneous receivables	2 522	4 809	53
Prepaid expenses	314	2 435	1 249
Total other assets	3 115	7 383	1 358

Note 11 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Creditors	1 236	299	2 684
Receivables from companies in the same Group	60 915	39 530	24 474
Miscellaneous liabilities	8	8 286	219
Total other liabilities	62 160	48 115	27 377
Withholding tax	1 359	1 303	2 349
Social security costs	1 316	1 176	1 589
Holiday pay	1 666	1 653	3 574
Pension obligations	14 501	16 422	14 501
VAT	28	18	259
Provisioned costs	4 099	1 821	346
Total accrued costs and liabilities	22 970	22 393	22 618

Note 12 CAPITAL ADEQUACY

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Share capital and share premium fund	1 155 707	1 021 372	1 158 076
Other owners' equity	60 907	137 665	60 907
Owners' equity	1 216 614	1 159 037	1 218 983
Interim profit/loss	0	0	0
Less goodwill and other intangible assets	-22 396	-20 557	-21 214
Deferred tax asset	0	-12 403	0
Core capital	1 194 218	1 126 077	1 197 769
Supplementary capital	0	0	0
Supplementary capital	0	0	0
Total eligible Tier 1 and 2 capital	1 194 218	1 126 077	1 197 769
Capital requirement	525 972	497 018	476 921
Surplus of Tier 1 and 2 capital	668 246	629 059	720 848
CALCULATION BASIS CREDIT RISK			
Local and regional authorities (including municipalities/county administrations)	3 837 465	3 963 469	3 964 218
Publicly owned enterprises	0	275 051	2 439
States	0	3 215	2 645
Institutions	354 897	598 256	713 342
Investments with security in real estate	1 777 467	575 361	649 286
Investments fallen due	37 101	25 683	26 619
Covered bonds	289 599	333 708	338 791
Other holdings	437	174 282	472
Calculation basis credit risk	6 296 965	5 949 025	5 697 812
Credit risk	503 757	475 922	455 825
Operating risk	22 215	21 096	21 096
Total capital requirement	525 972	497 018	476 921
Core capital adequacy ratio	18,2 %	18,1 %	20,1 %
Supplementary capital ratio	0,0 %	0,0 %	0,0 %
Capital adequacy ratio	18,2 %	18,1 %	20,1 %

Basel II regulations have been used in calculating capital adequacy.

The authorities' minimum requirement for capital adequacy is set at 9 per cent for financial institutions.

With effect from 1 July the capital requirements are increased so that the requirement for core capital adequacy is 9 per cent and the capital adequacy requirement is increased to 12.5 per cent.

Note 13 INTEREST-BEARING SECURITIES

NOK thousands	30.06.2013		31.12.2012	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	349 507	350 093	417 941	419 370
Bonds	2 657 049	2 695 417	3 588 940	3 644 115
Total interest-bearing securities	3 006 556	3 045 510	4 006 881	4 063 485

The bonds are brought to account at market value, including accrued but not due interests.

Note 14 LOSSES ON LOANS ISSUED ETC.

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Confirmed losses	0	0	0
Reversal of previous write-downs	0	0	0
Change in individual write-downs	0	0	0
Change in write-downs by group	0	0	0
Total loss on lending	0	0	0
Gross default exceeding 90 days	13 186	5 680	6 854
Gross other doubtful loans	0	0	0

This applies to housing loans. The risk of losses or write-downs on public sector loans are considered very low.

Note 15 PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

30.06.13 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	155 670	0	155 670	-155 670	0	0
Total	155 670	0	155 670	-155 670	0	0
LIABILITIES						
Financial derivatives	320 149	0	320 149	-155 670	-15 955	148 525
Total	320 149	0	320 149	-155 670	-15 955	148 525

31.12.12 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	183 904	0	183 904	-183 904	0	0
Total	183 904	0	183 904	-183 904	0	0
LIABILITIES						
Financial derivatives	358 770	0	358 770	-183 904	-20 190	154 675
Total	358 770	0	358 770	-183 904	-20 190	154 675

30.06.12 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	165 131	0	165 131	-165 131	0	0
Total	165 131	0	165 131	-165 131	0	0
LIABILITIES						
Financial derivatives	322 555	0	322 555	-165 131	-14 141	143 283
Total	322 555	0	322 555	-165 131	-14 141	143 283

The purpose of the note is to show the potential effect of netting agreements at the KLP Banken AS Group. The note shows derivative positions in the financial position statement.

Note 16 CONTINGENT LIABILITIES

NOK thousands	30.06.2013	30.06.2012	31.12.2012
Credit facilities for lending not utilised	168 412	45 971	48 358
Promised loans	481 116	169 151	83 840
Total contingent liabilities	649 528	215 122	132 198

Note 17 KEY FIGURES

Accumulated figures in NOK millions	Q2-2013	Q1-2013	Q4-2012	Q3-2012	Q2-2012
Pre-tax income	68,9	9,3	83,4	85,8	34,1
Net interest income	54,7	24,3	86,3	60,0	35,2
Other operating income	31,7	16,2	83,6	67,8	51,5
Depreciation and write down	-64,0	-34,7	-137,7	-94,1	-60,3
Net realized / unrealized change fin. instruments at fair value	46,5	3,5	51,1	52,1	7,6
Deposits	3 957,1	3 459,2	2 946,2	2 552,5	2 323,6
Housing mortgage lending	3 615,0	1 883,1	1 530,0	1 550,5	1 597,4
Lending with public sector guarantee	18 674,5	20 174,1	20 345,0	21 915,4	22 190,5
Defaulted loans	13,2	6,9	6,9	5,9	5,7
Total liabilities created on issuance of securities	21 333,3	21 717,6	23 708,4	24 443,4	24 868,4
Other borrowing	0,0	0,0	0,0	0,0	200,1
Total assets	26 982,8	27 018,9	28 281,5	28 668,2	28 959,7
Average total assets	27 632,2	27 650,2	29 992,8	30 186,1	29 445,7
Owners' equity	1 280,2	1 223,3	1 219,0	1 220,8	1 183,6
Interest net	0,20 %	0,09 %	0,29 %	0,20 %	0,12 %
Profit/loss from ordinary operation before taxes	0,25 %	0,03 %	0,28 %	0,28 %	0,12 %
Profit/loss from ordinary op. excl. fair value assessments	0,08 %	0,02 %	0,11 %	0,11 %	0,09 %
Return on owners' equity before tax	5,38 %	0,76 %	6,84 %	7,03 %	2,88 %
Capital adequacy ratio	18,2 %	20,4 %	20,1 %	18,6 %	18,1 %

Note 18 SPECIAL EVENTS**Court settlements**

During the second quarter a settlement has been agreed with Eksportfinans ASA in two legal disputes. The settlement has resulted in KLP Banken AS recognizing an income.

Liquidation

All loans of the subsidiary KLP Kreditt AS was sold in June 2013 to KLP. The company fulfilled its obligations to the parent company and terminated all ongoing financial deals. This was carried out in the Board's decision to terminate KLP Kreditt AS in 2013.



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